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## RESOURCE MANAGEMENT

### (d) Work Programme and budget prospects for 2002

#### Note by the Secretary-General

#### SUMMARY

**Executive summary:** This document updates the information on the 2002 work programme and budget prospects provided in document C 88/18(e). It summarizes the forecast overall budgetary position for 2002, and seeks the Council's approval for estimated transfers between Major Programmes to the extent that balances are available to cover or reduce deficits in programme appropriation balances. It reports on reviews of expenditure plans under the Printing Fund, and seeks the Council's endorsement to supplementary estimates, to be financed from publications sales revenue. The report also reports on expenditure for 2002 under the Headquarters Capital Fund.

**Action to be taken:** Paragraph 10

**Related documents:** C 88/18(e) and C 88/19(d)/Add.1

## 1 Introduction

1.1 The Secretary-General's preliminary consideration of the Work Programme and budget prospects for 2002 was reported to the Council at its eighty-eighth session in document C 88/18(e). This document presents an updated assessment of the budget prospects for 2002. A summary report of the Work Programme deliverables, by reference to Major Programmes, will be provided in an addendum to this document.

1.2 It will be recalled that the appropriation for 2002 was set at 2.9% above the approved appropriation for 2001; the appropriation for 2003 was set at 2.7% above the 2002 level. Table 1 below summarizes the appropriation voted for 2002 and the assessment level after deducting the estimated miscellaneous income, technical co-operation support cost reimbursements and the approved transfer from the Printing Fund as decided by Assembly resolution A.906(22).

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**Table 1****Appropriation and Assessment 2002**

	<b>2001</b>	<b>2002</b>	<b>Change over 2001</b>
	£	£	%
Appropriation	18,947,800	19,502,500	2.9
Transfer from Printing Fund	(200,000)	(400,000)	100.0
Miscellaneous income	(230,300)	(200,000)	(13.2)
Retrospective refund on HQs rates	(350,000)	-	(100.0)
<b>Assessment</b>	<b>18,167,500</b>	<b>18,902,500</b>	<b>4.0</b>

**2 Budgetary assumptions**

2.1 Variances in expenditure from the approved programme budget are influenced by movements in the external pay and price changes in the United Kingdom (UK) economy and in the salaries and allowances levels set by the International Civil Service Commission (ICSC) and where appropriate, approved by the General Assembly of the United Nations. Table 2 below sets out the assumptions made in 1999 when the budget was constructed for the biennium 2002-2003, compared with current forecasts of pay and price changes in the UK economy, as published by the United Kingdom authorities.

**Table 2**

<b>2002</b>	<b>Indices</b>	<b>Assumption</b>	<b>Current</b>
Average annual inflation rate	UKRPI	2.3%	1.5%
Average earnings rate	UKAEI	3.0%	4.5%
Operational exchange rate	£/\$	\$1.41	\$1.56

The impact of these factors is discussed below.

**3 Professional staff: post adjustment**

3.1 The methodology prescribed by the ICSC relating to post adjustment allowances at the Headquarters duty stations provides for increases to take place either after a full 5% movement in the local Retail Price Index (RPI) or after the completion of 12 months, whichever occurs first. On the basis of prevailing RPI movements, a provision was made in the 2002 appropriation for a 2.3% cost of living increase for Professional staff in July 2002. However, as Table 2 indicates, the underlying rate of inflation has decreased below the UK authorities' target rate of 2.5% and as a consequence has not triggered an annual cost of living adjustment for Professional staff with consequential budgetary savings.

3.2 Council may also wish to note that the ICSC is reviewing at its Summer session, the current base/floor salary levels for Professional and higher staff against the comparator civil service in Washington D.C. The salary comparison is expressed as an average ratio over a 12 month period and is known as "the margin". The General Assembly has previously concluded that the margin should remain within a range of 110 to 120, with a desirable mid-point of 115. Since the margin has fallen below the minimum of the desirable range, the

ICSC is expected to recommend to the General Assembly a realignment of the base/floor salary levels with those of the comparator.

3.3 The results of the Commission's conclusion and recommendations on this and related pay and benefits issues, will be provided in an addendum to this document. However, it can be noted at this juncture that any increase in the base/floor which the General Assembly of the United Nations might approve, will almost certainly not be effective before Spring 2003. Accordingly, any prospective adjustment to the base/floor salary will not impact on the 2002 appropriation.

### **General Service staff**

3.4 The Council at its 88th session approved the Secretary-General's proposed increase of 4.37% in the salary scales of London-based General Service staff on the basis of the recommendation of the ICSC following a Commission salary survey in October 2001. The increase in salary scales took effect from the survey date of October 2001; the costs of retrospection fall into the appropriation for 2002. As noted in document C 88/18(e), the costs of the GS salary increase including the costs of retrospection, are partially met by the provision made in the appropriation for a 3% year-on-year increase. In addition, the "freeze" in the post adjustment level for Professional staff in 2002 will provide further offsetting savings.

3.5 In accordance with the ICSC's interim adjustment methodology on salary increases, a 2.3% increase in GS salary scales is projected in October 2002 which is in line with the provision included in the annual appropriation.

### **Overtime, temporary assistance, travel and consultants**

3.6 As reported to the Council in document C 88/18(e), the control and deployment of these expenditure items is being progressively delegated to Programme Directors as part of the devolution of line management functions. The current review by the consultant Deloitte and Touche of the Organization's financial, budgetary and accounting systems has, as one of the objectives, improving the information flows to support this objective which supports the Secretary-General's Change Management Programme (CMP). The consultants are assisting in the implementation of an interim solution pending the development of a new financial control system for 1.1.04. Some unprogrammed additional expenditure has been incurred on overtime and temporary assistance in order to maintain timely delivery of the work programme whilst ensuring that the Organization's reform programme is kept on track. As noted below, this additional demand will be contained within the approved appropriation.

### **Indirect costs**

3.7 The forecast of expenditure on indirect costs, such as rent, rates and procurement of goods, services and Headquarters maintenance for 2002 is consistent with the previous year's out-turn level. The level of expenditure is therefore on course as planned although some minor adjustment between expenditure lines will have to be made to reflect the increased demands on certain expenditure items, notably catering services, building security and jointly-financed United Nations bodies. The increased costs of the catering service, notably because of rising supplier prices is being offset, so far as possible, by increased cafeteria prices.

## Exchange rates

3.8 Council may recall that the Secretary-General noted in document C/ES.21/17 that currency movements adversely and materially impacted the Organization's budgetary planning assumptions for the 2001 financial year. That analysis showed that whilst the £/\$ movements for the period 1995-1998 provided small exchange rate gains, which contributed to budgetary surpluses, the strength of the dollar against the Sterling pound during 2000 and 2001 required an additional provision of some £200,000 to meet the Organization's US dollar-driven expenditure, notably in respect of pension contributions to the United Nations Joint Staff Pension Fund. The Assembly at its twenty-second session in November 2001 had approved the £/\$ exchange rate assumption of \$1.41 = £1 in the construction of the appropriation for the 2002-2003 biennium.

3.9 Table 3 provides a comparison of £/\$ exchange movements in 2002 to date.

**Table 3**  
**£/\$ Exchange movements 2002**

Year	Budget assumption	Prevailing UN exchange rate	Loss/gain against £
	US\$		%
January	1.41	1.43	0.00
February	1.41	1.43	(1.4)
March	1.41	1.43	(1.4)
April	1.41	1.43	(1.4)
May	1.41	1.43	(1.4)
June	1.41	1.43	(1.4)
July	1.41	1.52	(8.5)
August	1.41	1.56	(10.7)
Average 8 months	1.41	1.46	(3.6)

3.10 It will be noted that the £/\$ movements in the first six months of 2002 were comparable to the exchange rate assumption used to calculate the appropriations. However, the strengthening of £ against \$ in recent months has provided some exchange rate gains. Thus, exchange rate performance to date suggests that the appropriation for 2002 should not be adversely affected.

3.11 Taking the above considerations into account, a summary of the prospective out-turn for 2002, by Major Programme is shown in Table 4 below.

**Table 4**

STATUS OF APPROPRIATIONS AS AT 30 JUNE 2002								
(expressed in UK£)								
2001	MAJOR PROGRAMMES			APPROPRIATIONS	EXPENDITURE		BALANCE	
Outturn				ANNUAL	DISBURSEMENTS	ULOs	TOTAL	OF APPROP.
876,113	1	General policy and direction		675,400	354,900	346,800	701,700	(26,300)
1,754,860	2	Maritime Safety		1,906,600	947,800	938,100	1,885,900	20,700
1,244,039	3	Marine Environment Protection		1,443,600	620,900	786,900	1,407,800	35,800
495,655	4	Legal Affairs		676,400	260,700	379,100	639,800	36,600
132,544	5	Facilitation of Maritime Traffic		183,600	85,200	78,500	163,700	19,900
506,909	6	Cross Sectoral Activities		561,200	243,600	269,100	512,700	48,500
1,550,921	7	TC and Institutional Development		1,701,600	771,300	934,300	1,705,600	(4,000)
3,942,961	8	Conference Services		5,035,700	2,221,100	2,575,100	4,796,200	239,500
3,942,961	9	Administrative Services		4,030,400	2,001,600	2,222,000	4,223,600	(193,200)
717,274	10	External Relations and Information Services		782,800	375,600	434,300	809,900	(27,100)
<b>15,164,238</b>		<b>Total Programme Expenditure</b>		<b>16,997,300</b>	<b>7,882,700</b>	<b>8,964,200</b>	<b>16,846,900</b>	150,400
3,442,732		General Operating Expenses and Headquarters Premises		3,718,300	1,378,700	2,409,000	3,787,700	(69,400)
-		Estimated staff turnover level		(136,000)	-	-	-	(136,000)
<b>18,606,970</b>		<b>Total Appropriation/Expenditure</b>		<b>20,579,600</b>	<b>9,261,400</b>	<b>11,373,200</b>	<b>20,634,600</b>	(55,000)
-		Direct and indirect cost recovered from the Printing Fund		(802,900)	-	(802,900)	(802,900)	-
(437,945)		Reimbursement of Technical Co-operation support costs		(274,200)	-	(400,000)	(400,000)	125,800
<b>18,169,025</b>		<b>Total</b>		<b>19,502,500</b>	<b>9,261,400</b>	<b>10,170,300</b>	<b>19,431,700</b>	<b>70,800</b>

#### 4 Programme allocations

4.1 It will be recalled that the appropriation approved for the biennium 2002-2003 included a 6% vacancy level representing 90 Professional and 36 General Service work-months to be kept vacant year-on-year during 2002 and 2003. The budget growth set at 6.7% over the previous biennium represents a 'Zero Real Growth' (ZRG) and did not include any contingency provisions to meet new initiatives and policies promulgated by Member States during the course of the 22<sup>nd</sup> financial period. The planned report on the deliverables of Major Programmes referred to in paragraph 1.1 will include a summary report of resource use, by reference to Major Programmes.

4.2 The prospective out-turn for 2002 in work-month terms is set out at Annex 1, and shows a forecast saving of 42 Professional work-months from the budgeted provision. The Secretary-General will endeavour to continue this saving, recognizing the importance of

maintaining a modest recruitment programme to ensure that the Work Programme is achieved. However, the Organization's increasing workload and new initiatives, notably in respect of maritime security, put a corresponding pressure on the Secretariat, whether in respect of servicing meetings or increased documentation. Additionally, the Change Management Programme entails additional expenditure in the short-to-medium term.

4.3 It will be recalled that the Council at its 88<sup>th</sup> session endorsed the Secretary-General's proposal to recruit a Technical Adviser on Maritime Security with appropriate secretarial support to strengthen the Maritime Safety Division in addressing the new demands on safety and security as reflected in resolution A.924. The necessary recruitment action is currently in progress. The Secretary-General's assessment at this juncture is that offsetting savings may be found from the approved appropriation, which will meet the expenditure which is likely to arise in 2002. In these circumstances, the Secretary General would not require Council to approve a supplementary estimate for 2002. The position in 2003 is considered in document C89/20.

4.4 Table 5 below displays the analysis of estimated cost increases, savings and programme change analysis for 2002 by reference to objects of expenditure as seen at the time of the preparation of this report.

**Table 5**

<b>Cost change analysis first year of 22nd financial period</b>				<b>2002</b>
<b>Cost increases</b>				£
Retrospective GS salary increase				(116,500)
Jointly financed UN bodies				(30,000)
Maintenance office automation				(40,000)
Subsidy on catering facilities				(50,000)
Recruitment expenses				(62,000)
<b>Programme change</b>				
Representation at intergovernmental meetings				(31,900)
Technical Advisor Maritime Security in-year cost				(55,800)
Replacement costs of staff to support the				
		change in Administrative processes		(115,100)
<b>Cost savings</b>				
Estimated increase in TC support cost reimbursement				125,800
£/\$ exchange gain due to \$ depreciation				70,000
Staggering of recruitment to vacant posts				306,300
Freeze on cost of living adjustment - Professional staff				70,000
<b>Forecast balance of appropriation</b>				<b>70,800</b>

## **5 Overview**

5.1 On the basis of this provisional forecast, the Secretary-General concludes that movements in external pay and price factors will not adversely affect the Organization's 2002 approved appropriation. The Secretary-General considers that in the absence of other unforeseen expenditure, the programme budget appropriation approved for 2002 remains attainable, and he will take steps to ensure that expenditure in 2002 remains within the approved appropriation. The Secretary-General will continue to maintain his focus on this objective and update his review in an addendum to this document.

5.2 Finally, further to the approval which Council gave at its 88th session in June 2002 for transfers between Major Programmes, the Council is now invited to note the latest forecast of transfers which are summarized at Annex 2. The final outcome will be reported to the Council at its 90th session in June 2003, in the Secretary-General's report on the Final Accounts for 2002.

## **6 Contribution income**

6.1 As at 31 July 2002 the contributions received in respect of the current year's assessment from Member States amounted to £15,545,541 representing 82.2% of the 2002 total assessment of £18,902,500. The detailed position with respect to contributions and arrears is set out in C 89/19(c).

The following sections provide an overview of the status of the main funds of the Organization.

## **7 Printing Fund**

7.1 The Printing and publishing activities of IMO are revenue producing and are accounted for under the Printing Fund. It will be recalled that the Organization's Publications contribute in a substantive way to promote the technical and legal work of the Secretariat by providing the basic instruments for the effective implementation of the Organization's safety and environmental objectives. The increasing volume of sales provided a revenue (including the interest earnings from cash investments) in 2001 of £5.1 million. It will be recalled that the Assembly at its twenty-second session, by resolution A.906(22), approved the estimated expenditure in respect of the direct and indirect costs for IMO's printing and publishing activities of £2,951,600 for 2002 and £3,014,100 for 2003.

7.2 The Publication's programme for 2002-2003 builds on the Publication's plan for 2000-2004 by producing a number of new titles, revised editions and amendments.

7.3 Against the background of increased activity, the Secretary-General has reviewed the expenditure programme for the current year, and concluded that a supplementary budget estimate is essential in order to facilitate the publishing programme for 2002 and ensure that the revenue target is achieved. The Secretary-General now seeks the Council's endorsement to an additional appropriation of £298,000 representing a 10% increase in the appropriation on the budget of £2,951,600, which will be met from publication sales revenue. An explanation of the make-up of these supplements is shown in Annex 4.

## 8 Headquarters Capital Fund

8.1 The Headquarters Capital Fund was established effective 1 January 1994. Its primary purpose is to meet the capital expenditure necessary for the efficient operation of the Organization, and for fulfilling the Organization's liabilities under the terms of the Lease for the Headquarters building between the Organization and the United Kingdom Government. The scope of the Fund may also include:

- (i) expenditure on repairs to or replacement of apparatus and machinery for the Headquarters building (other than regular, planned maintenance costs);
- (ii) purchase and installation of: office automation equipment, office furniture and equipment; telecommunications equipment; document production machinery;
- (iii) official vehicles;
- (iv) other items of capital equipment which relate to the primary purposes of the Fund: and
- (v) expenditure on the design, installation and implementation, including training, of office automation systems.

8.2 As noted in document C 88/18(e)/Add.1, a major focus of the Secretary-General for the next two years is to implement his reform programme – the Change Management Programme. The Council will recall that the replacement of the Organization's core accounting, financial and budgetary systems entail major capital investment in software, in system development and in hardware. The decision on this investment and its funding will be considered by Council in November under agenda item 11. The programme of capital expenditure for 2002 is set out at Annex 3. The statement shows the estimated cash balance under the Fund as at 31 December 2002 of £738,500 approximately. Table 6 below sets out the available funds as at 1 January 2003.

**Table 6**

### **Headquarters Capital Fund as at 1 January 2003**

	<b>£</b>
Estimated balance brought forward from 2002	738,541
Transfer from the surplus of the General Fund Assembly resolution A.906(22)	500,000
<b>Balance as at 1 January 2003</b>	<b>1,238,541</b>

## 9 Training and Development Fund

9.1 At its 22nd regular session in November 2001, the Assembly decided that a new Training and Development Fund should be established to finance the implementation of the CMP. An initial transfer of £200,000 from the surplus of the Printing Fund at 1 January 2002 was approved by the Assembly at its 22nd session. The progress achieved, and the issues arising are discussed separately under agenda item 11.



9.2 As at 31 July 2002, the disbursements under the Training and Development Fund amounted to £113,639. This expenditure has financed consultancy support for specific deliverables in respect of organizational development, notably in the area of technical co-operation and in human resource development, including a senior management leadership programme. The status of the Fund as at 31 July 2002 is shown in Table 7 below.

**Table 7**

**Training and Development Fund**  
 Status of Funds as at 31 July 2002

Printing Fund transfer	Liquidated £	Unliquidated £	Balance £
200,000	(113,639)	(64,200)	22,161

9.3 To maintain the present momentum, the Secretary-General plans that the focus in the autumn shall be on management training and on human resources development. However, these demands will require substantially more investment than the available balance of the Training and Development (TD) Fund. Pending Council’s consideration of the status of the TD Fund at its forthcoming session, the Secretary-General would intend to draw temporarily upon the balances of the HQ Capital Fund and to the extent possible, rephase some of the capital programme items until after the Council’s November session or until early 2003.

9.4 The Secretary-General will provide Council with an assessment of both the medium and longer-term training needs of the Secretariat as part of his further progress report on the Change Management Programme under agenda item 11. The prospective addendum to this document will take account of the financial consequences of this further assessment for the Training and Development Fund and other Funds of the Organization.

**10 Action requested of the Council**

10.1 The Council is invited to:

- .1 take note of the information contained in this document;
- .2 note the forecast out-turn level of expenditure for 2002 and the estimated transfers between the Major Programmes; further to the approval given by the Council at its eighty-seventh session, authorize the Secretary-General to make transfers between Major Programmes to the extent that balances are available to cover or reduce deficits in programme appropriation balances;
- .3 note the measures taken by the Secretary-General to finance the cost of the salary scale increase for General Service staff following the salary survey and approved by the Council as recommended by the International Civil Service Commission;

- .4 note the economy steps taken by the Secretary-General to finance the cost of the new demands on safety and security as reflected in Assembly resolution A.924;
- .5 endorse the Secretary-General's proposal for a supplementary estimate under the Printing Fund to finance the printing and publishing programme;
- .6 note the estimated out-turn expenditure financed from the Headquarters Capital Fund and the Training and Development Fund;
- .7 endorse the Secretary-General's actions in sustaining the CMP by drawing temporarily upon the balances of the HQ Capital Fund, as set out in the addendum to C 89/19(d).
- .8 note the authority given to the Secretary-General by the Assembly at its twenty-second session in Assembly resolution A.906(22) to draw, if necessary, on the Printing Fund, the Headquarters Capital Fund, the Technical Co-operation Fund and the Termination Benefit Fund monies to finance the approved regular budget programme appropriations; and
- .9 urge Member States to remit their assessed contributions promptly in accordance with the Organization's Financial Regulations and Rules.

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## ANNEX 1

## Human Resources by Division as at 1 June 2002

Division	A		B		C		(A-B-C) D		E		(D+E) F		G						(F-G) H	
	Complement		Unbudgeted work months		Staff turnover		Budgeted work months 2002						Post filled as at 01-Jun-02						Balance/Excess over budgeted work months	
	Prof	GS	Prof	GS	Prof	GS	Established posts		Fixed-term		Total		Established/Fixed term posts		Temporary assistance		Total		Prof	GS
Office of the Secretary-General	60	60	(12)	-	-	-	48	60	-	-	48	60	48	36	-	12	48	48	0	12
Maritime Safety	240	156	(12)	-	(3.0)	-	225	156	-	24	225	180	222	168	-	24	222	192	3	(12)
Marine Environment Protection	156	60	-	-	(3.0)	-	153	60	-	36	153	96	144	96	-	24	144	120	9	(24)
Legal Affairs, External Relations & Information services	156	120	(12)	-	(6.0)	-	138	120	-	-	138	120	127	120	-	12	127	132	11	(12)
Administrative services	312	744	(12)	(24)	(9.0)	-	291	720	12	48	303	768	284	660	12	144	296	804	7	(36)
Conference services	504	576	(12)	(12)	(9.0)	-	483	564	-	-	483	564	459	504	-	48	459	552	24	12
Technical Co- operation	96	120	-	-	-	-	96	120	-	12	96	132	96	132	-	-	96	132	0	0
<b>Total</b>	<b>1,524</b>	<b>1,836</b>	<b>(60)</b>	<b>(36)</b>	<b>(30.0)</b>	<b>0</b>	<b>1,434</b>	<b>1,800</b>	<b>12</b>	<b>120</b>	<b>1,446</b>	<b>1,920</b>	<b>1,380</b>	<b>1,716</b>	<b>12</b>	<b>264</b>	<b>1,392</b>	<b>1,980</b>	<b>54</b>	<b>(60)</b>

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## ANNEX 2

## Estimated budgetary transfers between Major Programmes

Transfer from Major Programme	Amount £	Transfer to Major Programme
Cross Sectoral Activities	26,300 23,100	General policy and direction General operating and HQs premises
Legal Affairs	27,100	External Relations and Information Services
Facilitation of Maritime Traffic	4,000	TC and Institutional Development
Conference Services	193,200 46,300	Administrative Services General operating and HQs premises

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## ANNEX 3

<b>Headquarters Capital Fund</b>			
<b>Programme of expenditure 2002</b>			
<u>Description</u>	<u>£</u>		
	Obligated	Unobligated	
<b>Major building repairs:</b>			
Security systems	-	10,000	10,000
Building internal renovations	12,425	59,575	72,000
External/Internal vertical surfaces	-	10,000	10,000
Carpet replacement	11,256	10,744	22,000
Engineering services	9,779	10,221	20,000
Electrical services	10,356	9,644	20,000
Chiller replacement (air-condition)	374,755	50,245	425,000
<b>Improving information technology</b>			
Hardware/Network Servers	42,947	107,053	150,000
Internet/Local network upgrades	317,639	-	317,639
Computer telecommunications	8,904	-	8,904
FAX system/Document Management/workflow	-	50,000	50,000
Personal computers	-	160,000	160,000
<b>New financial system development</b>			
Consultancy	250,725	110,000	360,725
Software development	17,521	232,479	250,000
<b>Replacement of furniture and equipment</b>			
Replacement of furniture	21,174		21,174
Replacement of official vehicles		-	
Photocopy equipment	13,880	6,120	20,000
	<b><u>1,091,361</u></b>	<b><u>826,081</u></b>	<b><u>1,917,442</u></b>

  

<b>Status of Headquarters Capital Fund</b>	
	<b>2002</b>
	<b>£</b>
<b>Balance brought forward</b>	<b>1,115,079</b>
Transfer from the surplus of the General Fund	500,000
Transfer from the surplus of the Printing Fund	700,000
Estimated Expenditure during year 2002	<b>(1,917,442)</b>
<b>Balance</b>	<b><u>397,637</u></b>





## ANNEX 4

**Printing and publishing activity 2002**

	£	£
<b>Approved appropriation</b>		2,951,600
<b>Supplementary estimates</b>		
Promotion of publications	17,000	
Reproduction supplies	15,000	
Equipment	43,000	
Postage & freight	45,000	
Other supplies & services	71,000	
Printing (contracted out)	107,000	
Total supplementary estimates		298,000
<b>Total revised appropriation</b>		<b>3,249,600</b>

**1 Equipment**

1.1 Expenditure under this heading includes investments in printing and binding equipment, office automation and rental and maintenance.

1.2 Some older items of equipment (particularly in Production) have required and will continue to require substantial expenditure on repair and upkeep as they get older. Conversely, some newer items of equipment (e.g., the imagesetter) and software have required more in the way of maintenance, upgrades and adaptation than expected, resulting in higher costs. This is partly due to the integration of online sales into sales operation.

1.3 Following the introduction of a shift system in Production, the equipment has been in use for 12 hours a day, six days a week. This has resulted in increased wear and tear on some items. The guillotine, for example, was purchased some 12 years ago and is increasingly unreliable. It is about to become obsolete and needs urgent replacement.

1.4 As a result, a further £43,000 is required under this heading.

**2 Reproduction supplies**

2.1 The expenditure under this heading includes the procurement of reproduction supplies, such as, paper, printing and binding materials for the production of IMO publications.

2.2 Printing paper prices fluctuate considerably and, in addition, the quality of paper for the IMDG Code needed to be improved in order to counter some of the problems in the binding operations which were experienced with the earlier version of the IMDG Code when first produced as paperback. The additional cost required for procurement of the supplies is estimated at £15,000.

### **3 Promotion of sales**

3.1 Expenditure under this heading includes travel of Publishing Service staff and other publishing-related travel, for example to promote IMO's publications at maritime exhibitions worldwide and to attend technical meetings relevant to the IMDG Code. The annual programme of travel requires the Secretary-General's approval and has been closely monitored by the Director, Administrative Division.

3.2 Unscheduled attendance at events including the International Printing Exhibition and the World Summit on Sustainable Development and participation in technical meetings have led to an increase in the travel budget of £17,000.

### **4 Postage**

4.1 The expenditure under this component includes the cost of despatching IMO's publications. Additional provision of £45,000 is needed for postage and freight in line with increased customer demands.

### **5 Other supplies and services**

5.1 Expenditure under this heading includes bank charges and credit card fees incurred in selling IMO publications; design, production and mailing costs for IMO News; and storage charges for stocks of IMO publications.

5.2 Although the Organization is benefiting from the introduction of e-commerce in terms of order fulfilment, efficiency and increased volume of sales, additional bank and credit card costs have been incurred in the move to online processing.

5.3 The cost of storage of publications has increased substantially because of the lack of space in the headquarters building.

5.4 The improved design and pre-press production of IMO News is now completely external, as is most of the printing, leading to increased costs – partly offset by advertising revenue.

5.5 The additional funds required under this heading amount to £71,000.

### **6 Printing (Contracting out)**

6.1 A proportion of IMO publications is printed externally. In 2002, there have been a number of unscheduled new titles and new editions (e.g. MARPOL: How To Do It, IMO Standard Marine Communication Phrases, COLREG). The capacity of Production is completely used up by printing the IMDG Code and Supplement and most reprints. The need to print new titles externally, as well as an unexpected request for ring binders for the IMDG Code Supplement, has resulted in a requirement for an additional £107,000 for 2002.